

2013 DRAFTING REQUEST

Bill

Received:	6/13/2013	Received By:	btradewe
Wanted:	As time permits	Same as LRB:	
For:	Nick Milroy (608) 266-0640	By/Representing:	Marylou Keleher
May Contact:		Drafter:	btradewe
Subject:	Environment - solid haz. waste	Addl. Drafters:	
		Extra Copies:	

Submit via email: **YES**
 Requester's email: **Rep.Milroy@legis.wisconsin.gov**
 Carbon copy (CC) to:

Pre Topic:

No specific pre topic given

Topic:

Proof of financial responsibility for long term care for certain solid waste facilities

Instructions:

See attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jacketed</u>	<u>Required</u>
/?	btradewe 8/29/2013	wjackson 9/3/2013	jmurphy 9/3/2013	_____			
/1				_____	mbarman 9/3/2013	lparisi 9/6/2013	

FE Sent For:

*None
needed*

<END>

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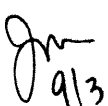
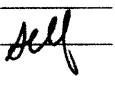
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/?	btradewe	1 WJ 9/13	 9/13				

FE Sent For:

<END>

Tradewell, Becky

From: Keleher, Marylou
Sent: Thursday, June 13, 2013 2:04 PM
To: Tradewell, Becky
Subject: Bill Draft Request: Companion to Sen. Jauch's request

Hi Rebecca,

I understand Lisa from Senator Jauch's office has already been in touch with you to request a bill draft as described below. Rep. Nick Milroy would like a companion bill drafted for introduction in the Assembly.

Thank you!

Mary Lou

*Mary Lou Keleher
Aide to Rep. Nick Milroy
Room 11 W, State Capitol
PO Box 8953
Madison WI 53708-8953
608-266-0640
888-534-0073 (toll-free using WI based phone)*

Proposed Language:

289.41(6)(m) *Alternative criteria for certain companies.* Paragraph (d) does not apply to a company that owns a solid waste wood material facility at which more than one-half, by volume, of the solid waste processed is destined for energy recovery if the company satisfies the criteria under pars. (b) and (c) and (e) to (i) and the two following criteria:

1. The ratio of short term assets divided by short term liabilities should be 4.0 or greater
2. The ratio of the sum of net income plus interest expense, plus depreciation, plus amortization, less capital expenditures, less dividends for a 12 month rolling period divided by the sum of interest expenses and mandatory payments on funded debt for the same period should be 4.0 or greater

STELLA-JONES CORPORATION

FINANCIAL RATIO EXPLANATION

The following two ratios are commonly used by financial institutions such as HSBC and Bank of America to validate the credit worthiness of a company and are often used as credit agreement covenants.

A. The Working Capital ratio

Definition: Short term assets divided by short term liabilities

Short term assets are usually easily converted to cash such as treasury bonds, accounts receivables and inventory. Short term liabilities are defined as financial obligations maturing in the next twelve months and usually include on demand bank margins, accounts payables and upcoming payments on long term debt.

A ratio result of 1 indicates that a company has enough assets, that it can quickly convert into cash, to cover its financial obligations in the next twelve months. A ratio result greater than 1 indicates how many times the existing assets can cover the upcoming financial obligations but also indicates the potential to generate free cash.

B. Fixed charge coverage ratio

Definition: The sum of net income plus interest expense, plus depreciation, plus amortization, less capital expenditures, less dividends for a 12 month rolling period divided by the sum of interest expenses and mandatory payments on funded debt for the same period

Net income plus interest, plus depreciation, plus amortization is a typical calculation to determine the free cash generated by a company for a certain period (usually 12 months). As asset quality (capital expenditures) and shareholder expectations (dividends) are important to the health of a company, cash outflows related to these two items are subtracted. The maintenance and investment in property plant and equipment is crucial to a manufacturing company to maintain its productivity. Shareholders usually represent a source of financing and their ongoing support is typically remunerated through dividends. Therefore to ensure that capital expenditures and shareholder expectations are met, free cash is reduced by these obligations.

Interest expenses and mandatory payments on funded debt are fixed expenses related to the financing of a company. A company using bank debt as financing cannot continue its operations if it does not meet its obligations to the financial institutions.

A ratio result of 1 indicates that a company generates enough free cash in a year to cover its obligations to financial institutions. A ratio result greater than 1 indicates that a company generates enough free cash to cover financing obligations and also generate savings for future projects (Pay down debt faster, perform acquisitions, increase working capital,....)



State of Wisconsin
2013 - 2014 LEGISLATURE

SOON (in 8/29)

2534/1
LRB-2533/1
RCT:eev:jm
stays
rmnr

2013 BILL

No changes

Regen

- 1 AN ACT *to amend* 289.41 (6) (a); and *to create* 289.41 (6) (m) of the statutes;
2 **relating to:** the net worth method of providing proof of financial responsibility
3 for certain solid waste facilities.

Analysis by the Legislative Reference Bureau

Current law requires the operator of a solid waste facility to provide proof of financial responsibility for the costs of the care, maintenance, and monitoring of the facility after it is closed. Instead of providing proof of financial responsibility by providing a bond, escrow account, or letter of credit, a company may establish the proof through what is called the net worth method, that is, by showing that the company complies with specified financial criteria, including having a net worth of at least \$10,000,000. One of the other criteria requires a specified ratio of net fixed assets to total tangible assets. Current law provides exceptions or alternatives to some of the financial criteria in specified circumstances.

This bill provides alternate financial criteria for using the net worth method of providing proof of financial responsibility for a company that does not satisfy the current criterion for the ratio of net fixed assets to total tangible assets but that satisfies the other current financial criteria. The alternate criteria may be used by a company that operates a solid waste facility that processes waste wood if more than 50 percent of the waste wood is processed to be used for energy recovery (fuel). The

BILL

alternate criteria include a required ratio of short-term assets to short-term liabilities.

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

SECTION 1. 289.41 (6) (a) of the statutes is amended to read:

289.41 **(6)** (a) *Compliance.* Except as provided under par. (j), (k), ~~or (L)~~, or (m) or sub. (7), calculations and determinations based on data and information provided in the opinion of the certified public accountant are required to establish that the company satisfies each of the criteria under pars. (b) to (i) in order to comply with minimum financial standards.

SECTION 2. 289.41 (6) (m) of the statutes is created to read:

289.41 (6) (m) *Alternative criteria for waste wood facility.* Paragraph (d) does not apply to a company that owns a solid waste facility that processes waste wood if more than 50 percent, by volume, of the waste wood is processed to be used for energy recovery and the company satisfies the criteria under pars. (b), (c), and (e) to (i), and the following criteria:

1. The quotient of short-term assets divided by short-term liabilities at the end of the company's most recent fiscal year equals or exceeds 4.0.

2. The quotient of the sum of net income plus interest expense, plus depreciation, plus amortization, less capital expenditures, less dividends for the company's most recently completed fiscal year divided by the sum of interest expenses and mandatory payments on funded debt for that year equals or exceeds 4.0.

(END)

Parisi, Lori

From: Keleher, Marylou
Sent: Friday, September 06, 2013 1:06 PM
To: LRB.Legal
Subject: Draft Review: LRB -2534/1 Topic: Proof of financial responsibility for long term care for certain solid waste facilities

Please Jacket LRB -2534/1 for the ASSEMBLY.